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CONTENTS

SOUTH VIETNAM: Situation report. (Page 1)

CHINA: Editorial gives the army a clean bill of political health. (Page 2)



GREECE: Papadopoulos brings former military officers back into the cabinet. (Page 5)

MALAGASY REPUBLIC: The government bows to demands of protesters. (Page 6)

CHAD-FRANCE: French budgetary aid is terminated. (Page 7)

USSR - WARSAW PACT: Party leaders meet. (Page 9)

USSR: A-class nuclear submarine (Page 9)

YUGOSLAVIA: Military denounces nationalism (Page 10)

MEXICO-US: Implementing the communiqué (Page 10)

FINLAND: New government (Page 11)

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SOUTH VIETNAM: Heavy fighting continues on the northern battlefronts. South Vietnamese Marines are battling enemy units north, east, and inside of Quang Tri City.

Just to the south, at least two regiments of the North Vietnamese 304th Division are attacking airborne positions west of Route 1 and north of the My Chanh River defense line. They are also shelling other government field positions in the area, probably hoping to cut Route 1 south of Fire Support Base Nancy.

Farther south in Thua Thien Province, North Vietnamese 324B Division units are attempting to push past South Vietnamese 1st Division forces southwest of Hue. The Communists may be trying to get into the lowlands in preparation for a major assault against Hue sometime soon.

The heavy fighting in Quang Nam Province is also continuing. Casualties are reportedly heavy on both sides; one battalion of a South Vietnamese 2nd Division unit fighting northwest of Que Son withdrew from the area yesterday with only 170 of its original 455-man unit intact.

Communist and South Vietnamese units are fighting several pitched battles in northern Binh Dinh Province. Here too, both sides are sustaining heavy casualties in a see-saw contest with neither side able to establish clear dominance.

In the southern half of the country, enemy activity has been at a low level, with most action reported in Tay Ninh Province. [REDACTED]

[REDACTED] claim that heavier action is being planned soon in several provinces south and southwest of Saigon. In the delta, the fighting has lessened somewhat but remains concentrated in Dinh Tuong Province. [REDACTED]

25X1

1 Aug 72

Central Intelligence Bulletin

1

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CHINA: An authoritative Army Day editorial has removed the cloud of suspicion that has lingered over the armed forces since the purge of its chief, Defense Minister Lin Piao, last fall. The editorial did not go so far as to provide any firm guidance on several pressing questions about army-party relations, however.

The editorial, issued jointly by China's three leading journals, is the first of its kind in many months. The regime has let several occasions that normally call for authoritative "joint editorial" treatment pass without comment. The fact that an editorial was released on this occasion suggests that at least some progress has been made toward resolving problems connected with the Lin affair at a series of high-level meetings in late May and June. Current rumors that the long-delayed National People's Congress--and possibly a new party congress as well--will be held before the end of the year also tend to indicate that Peking is feeling somewhat more confident about the domestic situation.

Since the Lin purge, a propaganda campaign calling on the army to place itself under firm party control had clearly put the armed forces on the defensive. The new editorial, however, states flatly that the military is "loyal to the party and the people" and that it is unified. Declaring that any conspirator who wanted to undermine the army--a clear reference to Lin--would be "only daydreaming," the editorial gives the military its cleanest bill of political health in a full year.

Significantly, Lin is not mentioned by name, despite Peking's recent confirmation to foreigners of the story about Lin's attempted coup against Mao and his subsequent, abortive flight to the Soviet Union that has been secretly circulating within China since last October. By officially endorsing this account, Peking may have hoped to take some wind out of the sails of the Nationalist Chinese,

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who have been publicizing the story in a number of foreign capitals recently, while at the same time avoiding the detailed washing of dirty linen in public that would necessarily accompany any denunciation of Lin by name in the official press. Even the roundabout method of releasing official statements about Lin abroad would require decision at the highest levels, suggesting that the regime is attempting to tie up loose ends relating to the purge and to project an image of public unity in the aftermath of the meetings early this summer.

Peking, however, still has not identified former Marshal Yeh Chien-ying as Lin's successor in the post of defense minister, despite rumors circulating in China that this would occur on Army Day, nor has it filled a number of other important military and civilian posts that have been vacant for a considerable period of time. This appears to indicate that the difficult personnel and policy issues that have been at the center of continuing dispute among the leadership for some time have not yet been fully resolved. Indeed, the joint editorial carefully skirts the sensitive issue of what the army's future civil political role ought to be. [REDACTED]

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GREECE: In a major cabinet shuffle yesterday, Prime Minister Papadopoulos brought several former military officers back into the government.

Papadopoulos appointed 11 new cabinet members and moved 11 incumbents to other posts. Twelve of the 40 top-level officials have military backgrounds and at least four of these 12 previously participated in the government. Two pre-1967 coup right-wing parliamentary deputies and one prominent economist have also accepted cabinet posts.

The cabinet changes represent Papadopoulos' reaction to criticism of corruption and inefficiency in government. The shuffle also reflects the difficulty Papadopoulos has had in finding capable civilian officials acceptable to the army-backed government. In returning to the military for acceptable choices, Papadopoulos risks a repetition of the situation that occurred between 1967 and 1970, when former military participants in the coup demanded increasingly greater roles in the government. In any event, the cabinet shuffle does not appear to presage an early return to constitutional rule.



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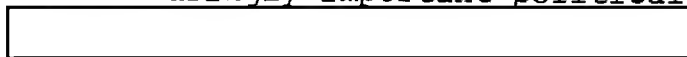
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MALAGASY REPUBLIC: General Ramanantsoa's military government, acceding to the demand of the protest movements that brought it to power, has banned the national congress of the once dominant Social Democratic Party.

The decision was prompted by a mass meeting of the movements at which the protesters threatened to renew demonstrations if the party congress were held. Other parties have held meetings recently without incident, but the protest movements identify the Social Democrats with the discredited policies of President Tsiranana, who remains the country's figurehead. The protesting student, worker, and teacher groups hold party officials responsible for the deaths of demonstrators during the May riots that led to the overthrow of the Tsiranana regime.

The military government's decision underscores the uncertain relationship between it and the protest movements. The government backed down once before in the face of threats of new demonstrations. There are also signs of differences over the pace of political reform. The protest movements consider the Ramanantsoa government as temporary and are continuing preparations for a national congress to spell out their demands for a return to civilian rule under a new constitution. In his first major policy address on 27 July, Ramanantsoa avoided any reference to the protest movements or their demands for a new constitution, and gave no timetable for a return to civilian rule.

Nonetheless, the government and protesters remain in contact, and both probably hope to avoid an open break. The protest movements emerge strengthened from this latest clash with the government, however, and the threat of renewed demonstrations has become an increasingly important political instrument.



1 Aug 72

Central Intelligence Bulletin

6

SECRET

25X1

SECRET

CHAD-FRANCE: French budgetary aid, on which the Chadian Government depends heavily, has been abruptly terminated because of France's mounting displeasure with President Tombalbaye.

For more than a decade the French Government has steadfastly backed the Tombalbaye regime--even to the point of provoking domestic criticism over the French military role in helping to quell Chad's Muslim insurgency. Over the past year, however, relations between Tombalbaye and his French mentors have become increasingly strained.

One of the principal factors has been Tombalbaye's failure to produce effective administrative reforms or to impose strict budgetary controls. The disenchantment of French officials grew more perceptible three months ago when the Chadian President rejected the level of French financial aid that had been proposed for this year.

Tombalbaye recently has been enraged by the refusal of some local French businesses to extend further credit to the Government of Chad unless its \$12-million commercial debt is paid. Last month several French nationals were arrested, including two high-level technical advisers and the director of one of the largest commercial firms in Chad. The arrest of the French without formal charges coincided with a massive purge of Chadians for alleged subversion that has been under way since June.

Even though Chad is virtually insolvent and soon will not be able to pay its civil servants and military, Tombalbaye may delay coming to terms with France out of defiance. In the meantime, he may attempt retaliatory gestures and request financial aid from other sources, including the US. The French seem prepared to let Tombalbaye sink or swim for the moment.

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Soviet A-Class Nuclear-Powered Attack Submarine



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USSR - WARSAW PACT: The main purpose of yesterday's meeting in the Crimea of the Warsaw Pact party leaders, plus Mongolia, probably was to hear a Soviet briefing on the expulsion of Soviet advisers from Egypt, and on the Warsaw Pact members' relations with the Arab states. In view of Ceausescu's participation and the TASS report of "full mutual understanding," however, the communiqué probably will be bland. A similar meeting also in the Crimea on 2 August 1971 was notable for the absence of Ceausescu. Contrary to Moscow's announcement that the foreign leaders were "on a brief rest," only Czechoslovakia's Husak is known to be vacationing in the Soviet Union, suggesting that the others arrived on short notice. [REDACTED]

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USSR: The first at sea sighting of the A-class nuclear-powered attack submarine was recently made [REDACTED] This submarine, 246 feet long at the waterline, is the smallest of any Soviet nuclear-powered submarine. The low, rounded sail and the smooth, advanced hull form of the A-class are indicative of attempts to achieve high submerged speed and reduced noise. The unit is equipped with what appear to be a new model periscope and electronics countermeasures antenna. The ship in the photograph [REDACTED] is the only one to be sighted to date. There is no evidence that it has made a patrol beyond home waters. [REDACTED]

25X1

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1 Aug 72

Central Intelligence Bulletin

9

SECRET

SECRET

YUGOSLAVIA: Air Force Colonel-General Viktor Bubanj, chief of staff of the armed forces, in a speech to officers at the army academy on 30 July denounced nationalists of every stripe and warned both East and West that the military would resist any effort to impose an alien ideology on Yugoslavia. The armed forces have a responsibility for the moral and political education of the nation's young people, he said. President Tito probably gave advance approval to Bubanj's statement. It is the most forceful expression of military interest in the Yugoslav political scene since last December. At that time, Tito sought and obtained verbal endorsements from leading military figures for his purge of Croatian nationalists. [REDACTED]

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MEXICO-US: Foreign Minister Rabasa has reiterated his government's concern over the lack of progress on implementing the joint presidential communiqué of June. In conversation with the US ambassador, Rabasa noted that the US has not yet designated a special representative to work on salinity or made an announcement on the problem of illegal migrant workers in the US. He said that Mexico is creating an interministerial committee to study the migrant worker problem and hopes the US will take similar action. President Echeverria has publicly stated that while in Washington a strong commitment was made to resolve these issues. His visit was widely acclaimed in the Mexican media as a success and he is anxious to report some progress in order to keep this impression alive. [REDACTED]

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FINLAND: The four parties that made up Finland's last left-center coalition government have agreed to try to form a new one. After a minority Social Democratic regime resigned, President Kekkonen asked Center Party chairman Johannes Virolainen to investigate the possibility of a majority government. Virolainen told Kekkonen yesterday that a coalition of the Social Democrats, Center, Liberal, and Swedish People's parties would be possible. It would have 107 of the 200 seats in parliament. Kekkonen will meet with leaders of the parties today and presumably name a formateur. Kekkonen would like the new government to be functioning before he visits the USSR on 12 August. However, the parties are insisting on a coalition agreement on a number of difficult issues, including Finland's free trade agreement with the European Communities, and their plans may yet go awry.

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